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# AEROJET ORDNANCE COMPANY

# SUPPLIER CERTIFICATE OF CONFORMANCE

PART NUMBER 809429-01 REV. NC PART NAME CEM STANDOFF SPRING

PURCHASE ORDER/ CONTRACT NO. 76721-DZ F08635-86-C-0022 SUPPLIER LOT NO. 76721-DZ LOT 1 PACK SHEET NO.

SERIAL NUMBER/S QUANTITY 37,800 MFG. DATE 11-10-87

SUPPLIER CERTIFIES MAT'L AND PROCESSES CONFORM TO SPECIFICATIONS LISTED BELOW:

| Material Description | Specification |
|---|---|
| WIRE, CRES, 17-7 SPRING TEMPER | AMS 5678 |
| | SEE ATTACHED CERTIFICATION |
| GEN. SPEC. | MIL-A-2550/MIL-STD-29 |

Following are itemized all processes performed for which prior source qualification is required by the purchase order/contract. These processes were performed by the indicated sources in accordance with the indicated specifications.

| Process Description | Specification | Name and Address of Processing Facility |
|---|---|---|
| PASSIVATION | 5.4.1 OF MIL-STD-171 PER ASTM 380 | MAGNETIC INSPECTION LAB. 9551 W. BERWYN AVE. ROSEMONT, IL 60018 |
| STRESS RELIEVE/HEAT TREAT | 900 DEGREES F P/M 10 DEGREES F.FOR 60 MINUTES P/M 5 MINUTES AND COOLING IN AIR. | METALS TECHNOLOGY 25 LAURA DRIVE ADDISON, IL 60101 |

CONFIGURATION: Pursuant to requirements in the above drawings or Purchase Order/Contract Work Statement, the revision status of detail drawings to which this shipment conforms is as follows:

| | REV. | | REV. |
|---|---|---|---|
| 809429-01 | NC | | |

AOC 85

(SUPPLIER – DO NOT WRITE IN THIS SPACE)

INSPECTION: Checked against the applicable qualified process source list and required configuration.

Source Inspector 131 11/10/87 Date Receiving Inspector Date

SUPPLIER NAME MID-WEST SPRING MFG. C

SIGNATURE [redacted] b6 b7C

TITLE: QUALITY CONTROL MANAGER

DATE 11-10-87

DY-2972 (REV 1/85)

[redacted] advised that 700,000 springs were sent from AEROJET, Downey to MIDWEST. Those springs were hand sorted to determine which ones had to go for repassivation, descaling, and heat treatment. The descaling and repassivation was done by MAGNETIC INSPECTION LABORATORY INCORPORATED (MIL), 1401 Greenleaf Avenue, Elk Grove Village, Illinois, telephone number (708) 437-4488. Approximately 150,000-160,000 springs were determined to be bad. That is had rust, corrosion and pitting problems. After the rework procedure on the springs, the Government Quality Assurance Representative (QAR) did not go to MIDWEST to recheck the springs. This was done according to AEROJET directions. The AEROJET inspector did a visual inspection on the springs.

After the rework procedure on the springs, the lots of springs lost their original lot identity, that they had when they were manufactured. Instructions as how to process the certifications provided by MIL was given to MIDWEST by AEROJET personnel. [redacted] indicated that he normally spoke with [redacted] in Quality Assurance at AEROJET. During the period of the reworking of the springs he talked to [redacted] either once or twice. [redacted] indicated that he does not remember who at MIDWEST got the direction from AEROJET to reassign the lot numbers. [redacted] indicated that [redacted] the Supplier Quality Assurance Representative for AEROJET, was the one who instructed MIDWEST personnel how to resubmit a plan to get AEROJET approval on the reworking and remanufacturing of the springs. AEROJET provided MIDWEST with a suppliers certificate of conformance form, a standard form provided to all subcontractors. This was filled out by [redacted] after he did the inspection. It was signed by [redacted] source inspector stamp appeared on the document. It was also signed by [redacted] for MIDWEST. [redacted] did not remember if [redacted] Government Source Inspector, signing off on the rework procedure for the springs. b6 b7C

[redacted] indicated that he signed all of the AEROJET supplier certificate of conformance forms and was present for the inspection of the springs. He indicated that he absolutely did not sign any forms that had not gone through the repassivation process. When questioned if there were any problems with the ovens at MIDWEST SPRINGS, that is if the ovens were found to be dirty after an inspection, he indicated that the ovens were not b6 b7C

# AEROJET ORDNANCE COMPANY

# SUPPLIER CERTIFICATE OF CONFORMANCE

PART NUMBER 809429-01 REV. NC PART NAME CEM STANDOFF SPRING

PURCHASE ORDER/ 76721-DZ
CONTRACT NO. F08635-86-C-0022 SUPPLIER LOT NO. 76721-DZ LOT 2 PACK SHEET NO. 1-37922

SERIAL NUMBER/S _____ QUANTITY 75,600 MFG. DATE 11-10-87

SUPPLIER CERTIFIES MAT'L AND PROCESSES CONFORM TO SPECIFICATIONS LISTED BELOW:

| Material Description | Specification |
|---|---|
| WIRE, CRES, 17-7 SPRING TEMPER | AMS 5678 |
| | SEE ATTACHED CERTIFICATION |
| GEN. SPEC. | MIL-A-2550/MIL-STD-29 |

AOC 85

Following are itemized all processes performed for which prior source qualification is required by the purchase order/contract. These processes were performed by the indicated sources in accordance with the indicated specifications.

| Process Description | Specification | Name and Address of Processing Facility |
|---|---|---|
| PASSIVATION | 5.4.1 OF MIL-STD-171 PER ASTM 380 | MAGNETIC INSPECTION LAB. 9551 W. BERWYN AVE. ROSEMONT, IL 60018 |
| STRESS RELIEVE/HEAT TREAT | 900 DEGREES F/P/M 10 DEGREES F. FOR 60 MIN. P/M 5 MIN. AND COOLING IN AIR | METALS TECHNOLOGY 25 LAURA DRIVE ADDISON, IL 60101 |

CONFIGURATION: Pursuant to requirements in the above drawings or Purchase Order/Contract Work Statement, the revision status of detail drawings to which this shipment conforms is as follows:

| | REV. | | REV. |
|---|---|---|---|
| 809429-01 | NC | | |

(SUPPLIER — DO NOT WRITE IN THIS SPACE)

INSPECTION: Checked against the applicable qualified process source list and required configuration.

Source Inspector (131) 11/25/87 Date Receiving Inspector _____ Date

SUPPLIER NAME MID-WEST SPRING MFG.CO.
SIGNATURE: [redacted] b6 b7C
TITLE: QUALITY CONTROL MANAGER
DATE 11-23-87

DY 2972 (REV 1/85)

# AEROJET ORDNANCE COMPANY

# SUPPLIER CERTIFICATE OF CONFORMANCE

PART NUMBER X809429-01 REV. D PART NAME CEM STANDOFF SPRING

PURCHASE ORDER/ CONTRACT NO. 68557-DZ F08635-86-C-0022 SUPPLIER LOT NO. 1-11976 LOT 2F PACK SHEET NO. 1-38102

SERIAL NUMBER/S _____ QUANTITY 103,950 MFG. DATE 11-25-86

SUPPLIER CERTIFIES MAT'L AND PROCESSES CONFORM TO SPECIFICATIONS LISTED BELOW:

| Material Description | Specification |
|---|---|
| WIRE, CRES, 17-7 SPRING TEMBER | AMS 5678 |
| | SEE ATTACHED CERTIFICATION |
| GEN SPEC. | MIL-A-2550/MIL-STD-29 |
| STRESS RELIEVE/HEAT TREAT | 900 DEGREES F P/M 10 DEGREES F. |
| | FOR 60 MINUTES P/M 5 MINUTES AND |
| | COOLING IN AIR. |

Following are itemized all processes performed for which prior source qualification is required by the purchase order/contract. These processes were performed by the indicated sources in accordance with the indicated specifications.

| Process Description | Specification | Name and Address of Processing Facility |
|---|---|---|
| PASSIVATION | 5.4.1 OF MIL-STD-171 | SWD, INC.<br>1342 NATIONAL AVE.<br>ADDISON, IL 60101 |
| | | ~~WESTERN RUST PROOF CO.~~<br>3636 N. KILBOURN AVE.<br>CHICAGO, IL 60641 |
| | | MAGNETIC INSP. SYSTEMS |

CONFIGURATION: Pursuant to requirements in the above drawings or Purchase Order/Contract Work Statement, the revision status of detail drawings to which this shipment conforms is as follows:

| | REV. | | REV. |
|---|---|---|---|
| X809429-01 | D | | |

AOC 85

(SUPPLIER – DO NOT WRITE IN THIS SPACE)

INSPECTION: Checked against the applicable qualified process source list and required configuration.

Source Inspector [redacted] 12/9/87 Date

Receiving Inspector _____ Date

SUPPLIER NAME MID-WEST SPRING MFG. CO.

SIGNATURE: [redacted]

TITLE: GENERAL MANAGER

DATE 12-9-87

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[redacted]

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FOI/PA# 1507831-000

Total Deleted Page(s) = 45
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Page 16 ~ b3;
Page 17 ~ b3;
Page 18 ~ b3; b6; b7C;
Page 19 ~ b3; b6; b7C;
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Page 79 ~ b3; b6; b7C;
Page 80 ~ b3; b6; b7C;
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Page 92 ~ b5; b6; b7C;
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Page 113 ~ b6; b7C; b7E;

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FD-340a (Rev. 11-12-89)

(Title) _____

(File No.) 206A-NF-29253-1A

| ɛm | Date Filed | To be returned Yes | To be returned No | | | Disposition |
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206A-NF-29253-1A

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AUG 02 1994

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Automated Ins Evidence

FD-340 (Rev. 8-18-89)

**Universal File Case Number** 206A-NF-29253 -1A (1)

**Field Office Acquiring Evidence** NF

**Serial # of Originating Document** _____

**Date Received** 1/27/94

**From** _____
(Name of Contributor)

_____
(Address of Contributor)

_____
(City and State)

**By** [redacted] b6 b7C
(Name of Special Agent)

To Be Returned ☐ Yes ☑ No
Receipt Given ☐ Yes ☑ No
Grand Jury Material - Disseminate Only Pursuant to Rule 6 (e) Federal Rules of Criminal Procedure
☐ Yes ☑ No

Title:

Reference: _____
(Communication Enclosing Material)

**Description:** ☑ Original notes re interview of

[redacted] b6 b7C

[redacted] b6 b7C

Asst. general Counsel N.N. Shipbuilding.

4101 Washington Ave Newport News VA. DOB: [redacted] SSN: [redacted] 1/27/84

21 Purchase Orders P.O may have 8 pumps

131 Pumps on Lube Oil Coolers.

Class B overhaul USS Enterprise (CVN-65) together on list.

Contracted: Hydrostatic open, inspect, (Holograph.) Test.
itemize and negotiate price specifically.

Approx 6M Contract - 5.5M paid.

Documented 20 GM Thru Dec 1997.
For Overhaul both pumps

Placed on ship, pumps broke down, Foreign Material injected.

— Replacement Parts
1. Materials to be replaced
   a. Certify of Compliance noted parts were replaced
2. Documentation (Testing) produced by Hydrostatic Station certain purpose
   Standards met.

131
52 Not opened in position where Oil Control was extremely tight.
79 to be inspected Propulsion, Lube Oil pumps, Condensation, water main
Approx 68 <= 100% load 80 2 9 left to be opened

NAVY Paid NN after NN paid Hydrostatic

— [redacted] Inspector b6 b7C

Certified Paperwork — [redacted] Production, Quality etc

CMAX(?) [redacted] = E-64 Inspects etc.

FD-340 (Rev. 8-18-89)

**Universal File Case Number** 206A-NF-29253 - 1A (2)

**Field Office Acquiring Evidence** NF

**Serial # of Originating Document** _____

**Date Received** 1/28/94

**From** _____
(Name of Contributor)

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(Address of Contributor)

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(City and State)

**By** [redacted] b6 b7C
(Name of Special Agent)

To Be Returned ☐ Yes ☑ No
Receipt Given ☐ Yes ☑ No
Grand Jury Material - Disseminate Only Pursuant to Rule 6 (e)
Federal Rules of Criminal Procedure
☐ Yes ☑ No

**Title:**

Reference: _____
(Communication Enclosing Material)

**Description:** ☑ Original notes re interview of

[redacted] b6 b7C

1/28/94

[redacted] DOB [redacted] SSN [redacted] b6 b7C

Sup Ship N.N. (W) [redacted] (H) [redacted]

Engineering Technician Propulsion Plant Testing (Code 211) - as of June 1993 retired comm Jan. 1985

15 yrs. 63-79 W., Opns. Nav Ship Yard. Norfolk

Expertise in PPT, Turbine driven machinery.

Monitor, Witness N.N. performance, procedural test formed by NAVSEA

Delay

Familiarity with machinery in main prop plant: Non-nuclear.

Approx Jan 1985 - June 1993 — As an industrial Specialist (Code 160) primary function looking at performance of Contractor. Looked at # of people Contractor used, time used, overall performance of Contractor. attended meetings with all people concerned in project.

9-11 30 am tours in propulsion plant. took tours of plant. busiest time. Work is being done. Emergency is documented.

" Claims Avoidance " work. Advised Contract Specialist (Code 400) how to save man hours etc.

1ST Knew of Situation — [redacted] Rep. Main Engine Attached Lube Oil Pump (MLOP)

Working Lube oil - main work. 3 pumps. Pump (MLOP) Critical pump — driven by reduction gear through large pipes. driven (large 3 Ft in diameter)

Standby Lube Oil pump (Turbine Driven) (SLOP)

Emerg. Lube Oil pump (Elect.) (ELOP) b6 b7C

* Capable to destroy engine because pump self-destruct (metal particle would contaminate engine etc) At least engine is shut down — At worst engine is destroyed.

~~Testing~~ Saw Repair Machinist Supv (RM) open and inspected in workbench.

Save W/ [redacted] date doc. as Code 160 log. Appx/May 1993.

Pump consists of large gear which has contact W/ 3 smaller gears (idler). The idlers are manufactured by A. idlers were not made

to proper tolerance. If Pump was run. The idlers would have self destructed or worn excessively which would have caused pump to fail. idlers would have destroyed the (large gear (driving gear). If run, the pump even if operated could have vibrated or made excessive noise. In addition metal particles in lube oil would have signalled a problem.

When A manufactured idlers ~~the~~ the tooth gear profile was incorrect, not in accordance w/ Westing spec's This was ascertained when tested by using bluing which was placed on the idler. The worn areas indicated idler was not manufactured to accordance w/ West. Sp.

② interior (inlay of casing) Pump Casing inlay was scored + scratched. idler bearings and driving gear bearing were also scored and scratched.

③ Pump parts were mismatched - pump gasket were installed where no gasket was supposed to be. This was in order to ~~make the casing fit.~~ to provide clearance for thrust (of the idler)

④ exterior of Casing had large dents where it appeared someone had struck it w a hammer! No rational explanation for indentation. Looked like someone used as ~~striker~~ anvil.

→ Overhauled at A. ~~Sp~~ Sent to NN. WSp. at NN Sent to Sunnyvale Calif (Westing) — installed on new skid and ran

FD-340 (Rev. 8-18-89)

**Universal File Case Number** 206A-NF-29253 - 1A (3)

**Field Office Acquiring Evidence** NF

**Serial # of Originating Document** _____

**Date Received** 1/28/94

**From** _____
(Name of Contributor)

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(Address of Contributor)

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(City and State)

**By** [redacted] _____ b6 b7C
(Name of Special Agent)

To Be Returned ☐ Yes ☑ No
Receipt Given ☐ Yes ☑ No
Grand Jury Material - Disseminate Only **Pur**suant to Rule 6 (e)
Federal Rules of Criminal Procedure
☐ Yes ☑ No

Title:

Reference: _____
(Communication Enclosing Material)

_____

**Description:** ☐ Original notes re interview of

[redacted] b6 b7C

1/28/94

[redacted] DOB [redacted] POB [redacted] SSN [redacted] b6 b7C

Nuclear Engineer, Sup Ship (W) Code 211A [redacted] GS-12

1983 grad Maine Maritime Academy Degree in Marine Engineering licensed as 3rd Assistant Marine Engineer

Feb 1993 - Repair on ship full-time
Part time

Came to Sup Ship 1989 initially piping mechanical code 260

Duties Propulsion Equipment

Govt getting what they are paying for - Maintaining Equip, people to Engine Testing

MAIN FEED Booster Pumps:

3 large Qty Vol. Low Pressure pumps - give feed Pumps pressure.

SSTG (Ship Service Turbine Generator) number 2 Attached Lube Oil Pump ALOP failed

1st time it was run, was not present. heard had oil Pressure problem.

Saw the lube oil Strainer yielded metal particles (was self-cleaning)

Then catastrophic failure of pump occurred.

Pump taken to R/M Repair and Machine Shop. Saw idler (small gear) had been driven by main gear into the casing and casing was "eaten away" scored. Metal shavings scored off of inside of casing.

[redacted] NN Engineering explained machining not proper for thrust plate. b6 b7C

Thrust plate is a plate used to stop the forward motion of the main gear. This is done

Proper Machining of the Thrust Plate is important as if it is done improperly, the idler will not run true. If the idler does not run true, but at an angle, it will score the inside of the case.

Also [redacted] advised later testing of the Thrust plate - did not meet spec. It was the wrong grade of metal. after correcting the machining problems, further testing determined did not meet spec

- Specs also called for fitted bolts (specially bolts with extremely tight tolerances) to provide proper fit and alignment.

No fitted bolts were used. Standard bolts were placed in holes.

was told
NN believed pumps had been tested at Hydrostatic.

Diss
Not reasonable to think NN would have disassembled ALOP pumps to survey. This would not have happened as a general practice.

A employee present during aforementioned discuss. No comments made and QC did not officially meet him.

ALOP orig G.E piece of equip. Not aware of any G.E. Reps on site during inspec. Knew Frank White (G.E. Rep) not present.

---

Within 2 Months time span

#3 Main Circulating Water Pump problem. 1st rotated, made noises which alerted to a possible prob. Shut down, open casing on ship — Observed:

saw ① Tolerances improper as the impeller or propeller inside did not have proper clearance between itself and the stabalizing vanes (flow cones), causing prop to strike flow cones. Further inspec determined improper machining of the shaft coupling assembly caused lack of clearance. Clearance necessary for pump to operate correctly.

saw ② Tolerances such as thrust (movement) when measured did not meet spec.

Told → ③ [redacted] NN Engineering delayed — bolts utilized in bearing retaining plate an interior part of the pumps were not made of the correct material and were Torqued improperly.

b6
b7C

SSW ④ Unauthorized repair to Water bearing casing shoulder in contradiction of allowable specific

Told [redacted] (4a) in respect to Water bearing casing. A asked permission to repair the pumps utilizing a particular technique (welding and machining the casing shoulder) Technique was approved and paid for by UNSB. Authorized repair did not take place. b6 b7C

SSW ⑤ Rings had been installed utilizing Carbon Steel fasteners (screws) Standard Engineering practices would preclude use of Carbon Steel in an Marine environment as C.S. would corrode and fail. In this case, the screw heads had already corroded away. If the pump had been placed into op. This alone could have caused a failure of the pump and would have then entailed shutting down the main engine to which it was attached. (Engine to ship)

⑥ Clearance between the impeller tips and the casing Wear Rings were improper which resulted in contact between these two items. This noise would have caused the pumps to be shut down and disassembled

Pumps are placed on the Ship in 3 Major parts – The pump casing, Impeller and turbine. Although the pumps could have been placed together improperly (mismatched) This would be highly unlikely for two main reasons: (1) The incorrect machining tolerance of the half coupling assembly is a direct cause of the lack of clearance of the impeller and the flow cones, not pump casing mismatching. (2) UNSB ~~does~~ according to TRACKERS Procedure does not randomly deliver the parts to the ship; the pumps would have been brought down together, although perhaps split into the three major sections. ~~Boobtst~~

#1 Main Circulating Water Pump AFOP failed. Wasn't there when failed - upon inspection it had ~~be~~ (appeared) orange paint inside the oil lube system contrary to Spec. Paint also found in several other pumps –

FD-340 (Rev. 8-18-89)

**Universal File Case Number** 206A-NF-29253-1A (4)

**Field Office Acquiring Evidence** CG

**Serial # of Originating Document** 1

**Date Received** 8/17/94

**From** _____
(Name of Contributor)

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(Address of Contributor)

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(City and State)

**By** SA [redacted]
(Name of Special Agent)

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To Be Returned ☐ Yes ☑ No
Receipt Given ☐ Yes ☑ No
Grand Jury Material - Disseminate Only Pursuant to Rule 6 (e)
Federal Rules of Criminal Procedure
☐ Yes ☑ No

Title:

Reference: _____
(Communication Enclosing Material)

**Description:** ☑ Original notes re interview of

[redacted]

b6
b7C

b6
b7C

[redacted]

[redacted]

[redacted]

8/17/94

[redacted] SA

[redacted]

15 yrs.

[redacted]

MIL K weld repair pumps for HA

& metallurgical repair - build back up

rec wk part # - asked to build up - may not know

what part of pump

HA has own testing capabilities

testing is done if req after welding - if spec does not require

test, it may not

at least 1½ yrs since this project w/ Hydro-Aire

100,000+ worth of work - ended up in arrears by 40,000

remaining - settled for ½

Project is to be 10 yr proj initially

after 1st run, they had "legal probs" - could not pay due to

litig - all work was stop

Couple years ago - proj on commercial side

NNSB - sometimes welding glow goes all way to NN

this one went through

shipping tickets have dry ice

early 92 - early 93


MAGNETIC INSPECTION LABORATORY, INC.
1401 GREENLEAF AVE. ELK GROVE VILLAGE, IL 60007-5536
(708) 437-4488 FAX (708) 437-4538

[redacted]

NONDESTRUCTIVE TESTING • PRECISION WELDING • METAL FINISHING


b6
b7C

FD-340 (Rev. 7-29-92)

(5)

**Universal Case File Number** 206A-NF-29253-1A

**Field Office Acquiring Evidence** CG

**Serial # of Originating Document** _____

**Date Received** [ ]

**From** [ ] b3 b6 b7C
(Name of Contributor)

[ ]
Contributor)

(City and State)

**By** SA [ ]
(Name of Special Agent)

To Be Returned ☑ Yes ☐ No
Receipt Given ☐ Yes ☑ No
Grand Jury Material - Disseminate Only Pursuant to Rule 6 (e)
Federal Rules of Criminal Procedure
☑ Yes ☐ No

Title:

Reference: _____
(Communication Enclosing Material)

**Description:** ☐ Original notes re interview of

[ ] b3

FD-340 (Rev. 8-18-89)

(6)

**Universal File Case Number** 206A-NF-292JJ-1A

**Field Office Acquiring Evidence** NF

**Serial # of Originating Document** _____

**Date Received** 5/24/95

**From** _____ b6 b7C
(Name of Contributor)

Magnetic Inspection Lab.
(Address of Contributor)

Elgin, Illinois

**By** _____

To Be Returned ☐ Yes ☒ No

Receipt Given ☐ Yes ☒ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6 (e) Federal Rules of Criminal Procedure

☐ Yes ☒ No

Title:

Reference: _____
(Communication Enclosing Material)

**Description:** ☒ Original notes re interview of _____ b6 b7C

5/24 [redacted] (telephonic) b6 b7C

HY-11 = welding procedure

Twice (assuming for -)
Never got purchase order just packing slips.
Can't recall if parts had SN's on them or tags -
More than likely they took engineer's word on pump #.
(not daily)
NOT unusual for correction or have to call
especially if SN not on part -
[redacted] b6 b7C
from Laiser.
was welding lead.
Believes [redacted] was in touch w/ Hydro
[redacted] - Since used last 2-3 yrs ago.
If parts didn't have SN stamped they would
have packing slip -
Came in wooden boxes [illegible] together.

Other larger pieces believes Dan Rice saw SN's
but can't recall how identified.

Very confusing -
Many parts sent w/ only minimal identification tag.

Biggest problem of Hydro was getting proper
specs. Therefore, just worked from time & materials -
Didn't quote the job -
Recalled Sid Lee w/say how much he was allowed

Jr Mergins (est) + Nat Ores W/B misplaced-

Did no business W/Them in few years.

Hydro shut-paid them 40 K & they settled for 17-18 K. ∴ lost $.

If asked to do business today they request to know who principals were & get encumbrances.

Blanks not measured metes

Tried to ship pump sets but these w/o parts missing on some orders - Accountability was a challenge daily - They took ward of Hydro line.

Nomenclature (description) was confusing.

L/A = "Listed as"
S/B = "Should be.

MIE can not tell which pump was certified because there is no numbering sequence -

~~If there is~~

Can't tell which certifications w/ go w/ pumps other than the pumps come in a batch w/ slips —

Incoming pumps are tested & evaluated & sent back —

March 25, 1994

TITLE AND CHARACTER OF CASE

HYDROAIRE INC
-

| DATE PROPERTY ACQUIRED | SOURCE FROM WHICH PROPERTY ACQUIRED |
|---|---|
| March 01, 1994 | INSPECTION OF PUMPS AT NEWPORT NEWS SHIPBUILDING |

LOCATION OF PROPERTY: ELSUR/ELCAB11/D2

| ANTICIPATED DISPOSITION | ACQUIRING AGENT | CASE AGENT |
|---|---|---|
| | | |

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GRAND JURY MATERIAL - NO (DISSEMINATE ONLY PURSUANT TO RULE 6(E))

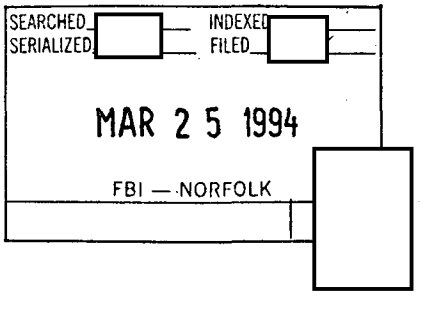
DESCRIPTION OF PROPERTY

BARCODE: E0186719
1B 1; VIDEOTAPE WITH AUDIO OF INSPECTION OF HYDROAIRE REPAIRED PUMPS AT NEWPORT NEWS SHIPBUILDING, R&M SHOP, NEWPORT NEWS, VA, 3/1/94
TAPE #1

FOR VALUABLES AND/OR NARCOTICS EVIDENCE ONLY
TWO SPECIAL AGENTS VERIFYING AND SEALING BAG CONTENTS

FIELD FILE NUMBER: NF/NF-0029253 (206A)
OFFICE-OF-ORIGIN: NORFOLK

206A-NF-29253-1B1

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FIELD OFFICE: NORFOLK
CASE NUMBER: NF-0029253-1A (206A)
1A NUMBER: 0001
RECEIVED FROM: [redacted] RECEIVED BY: [redacted] DATE RECEIVED: 01271994

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ITEM DESCRIPTION DISPOSITION DISPOSITION DATE

O.N. RE: INTERVIEW OF [redacted]

[redacted]

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1A NUMBER: 0002
RECEIVED FROM: [redacted] RECEIVED BY: [redacted] DATE RECEIVED: 01281994

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ITEM DESCRIPTION DISPOSITION DISPOSITION DATE

O.N. RE: INTERVIEW OF [redacted]

[redacted]

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1A NUMBER: 0003
RECEIVED FROM: [redacted] RECEIVED BY: [redacted] DATE RECEIVED: 01281994

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ITEM DESCRIPTION DISPOSITION DISPOSITION DATE

O.N. RE: INTERVIEW OF [redacted]

[redacted]

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1A NUMBER: 0004
RECEIVED FROM: [redacted] RECEIVED BY: [redacted] DATE RECEIVED: 08171994

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ITEM DESCRIPTION DISPOSITION DISPOSITION DATE

O.N. RE: INTERVIEW OF [redacted]

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1A NUMBER: 0005
RECEIVED FROM: CG RECEIVED BY: [redacted] DATE RECEIVED: [redacted]

ITEM DESCRIPTION DISPOSITION DISPOSITION DATE

[redacted]

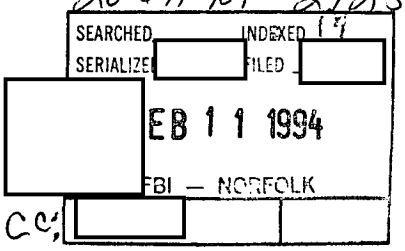
FIELD OFFICE: NORFOLK
CASE NUMBER: NF-0029253-1A (206A)
1A NUMBER: 0006
RECEIVED FROM: [redacted]

RECEIVED BY: [redacted]

DATE RECEIVED: 05241995 b6 b7C

| ITEM DESCRIPTION | DISPOSITION | DISPOSITION DATE |
|---|---|---|
| O.N. RE INTERVIEW OF [redacted] | | |

206A-NF-29253-2

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FD-302 (Rev. 3-10-82)



FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/1/94

[redacted] date of birth [redacted] b6 b7C
Social Security Account Number [redacted], NEWPORT NEWS SHIPBUILDING, 4101 Washington Avenue, Newport News, Virginia, was advised of the identity of the interviewing agent and the nature of the interview. Also present during the interview was [redacted] Naval ~~Defense~~ Criminal Investigative Service; [redacted] Newport News Shipbuilding Security; and [redacted] Investigator, Newport News Shipbuilding Security. [redacted] then provided the following information:

NEWPORT NEW SHIPBUILDING (NNS) has subcontracted a Class B overhaul of 131 pumps on the USS "Enterprise" (CVN-65). The subcontractor involved is HYDRO AIRE, INCORPORATED (HA). Initially, the pumps were opened, inspected, and particular items which needed to be replaced or refurbished were itemized and specific negotiated prices were agreed upon. The contract between NNS and HA required that HA provide a certificate of compliance and equipment performance test report on each pump overhauled. HA provided NNS with a certificate of compliance which noted specific parts had been replaced. HA also provided testing documentation which claimed that the pumps met specific military specifications and complied with the requirements set forth in NNS purchase orders.

The aforementioned pumps were then placed on the USS "Enterprise." Upon malfunctioning, they were taken out and inspected by both NNS and HA personnel. Based on these inspections, it appears that the testing documentation, as well as the certificate of compliance provided by HA, may have been falsified.

Of the 131 pumps under contract to HA, 52 pumps were in a position on the USS "Enterprise" where quality control was extremely tight, and as a result, these pumps appear to be functioning properly. To date, approximately 68 pumps have been removed from the USS "Enterprise" and found to be deficient. There are eight or nine pumps left to be inspected.

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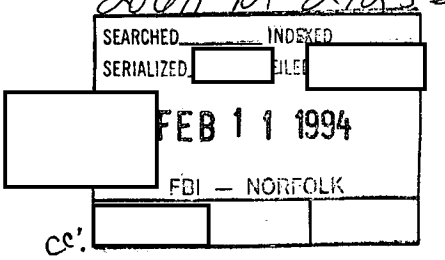
Investigation on 1/27/94 at Newport News, Virginia File # 206A-NF-29253

by SA [redacted] Date dictated 1/31/94 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

This contract is designated as a "cost-plus" contract, which means the Navy pays the contractor for the actual cost of the item or service plus an agreed upon percentage of profit. It involves approximately $6 million, of which $5.5 million has been paid to HA. Upon payment from NNS to HA, the Navy has reimbursed NNS. In addition, NNS has documented an additional $2.6 million spent in order to refurbish the broken pumps. This additional $2.6 million is of December, 1993. The total loss value to the United States Government has not been determined at this time.

206A-NF-29253-3

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FD-302 (Rev. 3-10-82)



**FEDERAL BUREAU OF INVESTIGATION**

Date of transcription 2/2/94

[redacted] date of birth [redacted] b6 b7C Social Security Account Number [redacted] Supervisor of Shipbuilding (Supship), Newport News, Virginia, telephone number [redacted] Engineering Technician, Propulsion Plant Testing (Code 211), was advised of the identity of the interviewing agent and the nature of the interview. Also present during the interview was [redacted] Naval ~~Defense~~ Criminal Investigative Service (~~D~~NCIS), Norfolk, Virginia. [redacted] thereafter provided the following information:

[redacted] began working for Supship around January, 1985. His expertise is in propulsion plant testing, specifically, turbine driven machinery. [redacted] duties are to monitor and witness NEWPORT NEWS SHIPBUILDING (NNS) performance in accordance with procedural test forms developed by NAVSEA. [redacted] field is non-nuclear. b6 b7C

From January, 1985, through June, 1993, [redacted] was an industrial specialist (Code 160) whose primary function involved looking at the performance of contractors. As an industrial specialist, [redacted] would look at the number of people a contractor would use as well as the amount of time a contractor would take to complete tasks required by the contract. One of the industrial specialist's duties is to advise the contract specialist (Code 400) how to save "man hours" and other cost cutting possibilities. In addition, the industrial specialist specifically looks at "claims avoidance" possibilities. In essence, an industrial specialist monitors the overall performance of the contractor.

[redacted] attended meetings with all people involved in the HYDRO AIRE, INC. (HA) pump project. Generally, [redacted] would tour the propulsion plant during the busiest time of the day, which was from 9:00 a.m. to 11:30 a.m. [redacted] would observe the work being done and document those things of particular note. b6 b7C

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Investigation on 1/28/94 at Newport News, Virginia File # 206A-NF-29253

by SA [redacted] Date dictated 1/31/94 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

There are three types of pumps which work with the main engine. There is the main engine attached lube oil pump (ALOP), the stand-by lube oil pump (SLOP), turbine driven, and the emergency lube oil pump (ELOP), electrically driven. The ALOP is a critical pump and has the capability to destroy the engine. If this pump should self-destruct, metal particles would contaminate the main engine. At the very least, the engine would have to be shut down. At worst, the engine would be destroyed if it was not shut down in time for the contamination to be removed from the engine.

The first time [redacted] was aware there was a problem with HA was when he saw an ALOP at the NEWPORT NEWS SHIPBUILDING (NNSB) Repair and Machine (RM) Shop. The ALOP was open and [redacted] was able to inspect it along with [redacted], the WESTINGHOUSE representative. WESTINGHOUSE is the original manufacturer of the ALOP. The inspection date would be documented on the Code 160 log. [redacted] believes it occurred in the April/May, 1993, time frame. b6 b7C

The ALOP consists of a large gear (driving gear) which has contact with three smaller gears called idlers. The idlers are manufactured by HA. In the case of the ALOP that [redacted] inspected, the idlers were not made to proper tolerances. Had the pump been run, the idlers would have self-destructed or worn excessively which would have caused the pump to fail. The idlers would have destroyed the driving gear. Indications that the ALOP idlers were not manufactured to proper tolerances would have been immediately apparent because the pump, when started, would have vibrated or made excessive noise. In addition, as the idlers self-destructed, the metal particles in the lube oil would have signaled a problem.

When HA manufactured the idlers, the tooth gear profile was incorrect; not in accordance with WESTINGHOUSE specifications. This was ascertained when tested by NEWPORT NEWS SHIPBUILDING by using a technique which involved placing blueing on the idlers. The worn areas indicated the idlers were not manufactured in accordance with the specifications.

[redacted] noticed several other problems with the ALOP. The inlay, or interior, of the pump casing was scored and scratched. The idler bearings and driving gear bearings were also scored and scratched, indicating again that the tolerances b6 b7C

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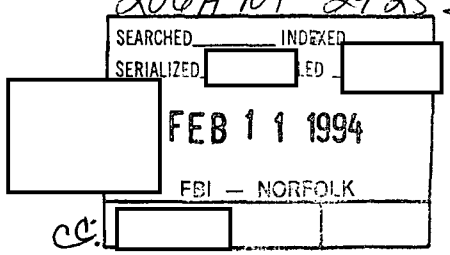
were not correct. Pump parts appeared to be mismatched, as a pump gasket was installed where the specifications did not call for a gasket. The gasket appeared to have been installed in order to provide clearance for the thrust (or movement) of the idler. In addition, the exterior of the pump casing had large dents where it appeared someone had struck it with a hammer. It appeared as though someone had used the pump casing as an anvil. [redacted] could think of no rational explanation for the indentions placed on the pump casing.

The ALOP had been overhauled at HA, sent to NNS, and then inspected by NNS personnel. Fortunately, this pump had not been installed on the ship and started up as the possible destruction of the idlers could have caused the critical failure of the engine as explained above.

206A-NF-29253-4

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FD-302 (Rev. 3-10-82)



FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/3/94

[redacted] date of birth [redacted], b6
Social Security Account Number [redacted] Nuclear Engineer, b7C
Supervisor of Shipbuilding (Supship), Newport News, Virginia, telephone number [redacted] was advised of the identity of the interviewing agent and the nature of the interview. Also present during the interview was [redacted] ~~Defense~~ Naval Criminal Investigative Service (DCIS), Norfolk, Virginia. [redacted] thereafter provided the following information:

Poc 3/28/94

[redacted] began to work for Supship around 1989. Presently, he is a GS-12 and works primarily with propulsion equipment. His primary duty is to ensure that the Government is getting what they are paying for. In order to ascertain this, his duties involve everything from monitoring the equipment and personnel to engine testing.

The first failure that [redacted] is aware of was on the b6
Ship Service Turbine Generator (SSTG) Number 1. The Attached b7C
Lube Oil Pump (ALOP) failed the first time that it was run. [redacted] understood that there was a problem with the oil pressure. [redacted] was present when the lube oil strainer was examined and observed that there were metal particles present in the strainer. The catastrophic failure of the pump then occurred. The pump was taken to the NEWPORT NEWS SHIPBUILDING (NNSB) Repair and Machine (R&M) Shop. [redacted] observed that the small gear, called the idler, had been driven by the main gear into the casing of the pump. This caused metal shavings to have been scored from the inside of the casing. [redacted] (phonetic), NNSB, Engineering, explained that the machining for the thrust plate was improper. The thrust plate is a plate used to stop the forward motion of the main gear. Proper machining of the thrust plate is important as this is what causes the idler to run true. If the idler does not run true but is at an angle, it will then score the inside of the case and ultimately self-destruct. [redacted] further advised that after correcting the machining problem, further testing determined that the thrust plate was manufactured from the wrong grade of metal and did not

Investigation on 1/28/94 at Newport News, Virginia File # 206A-NF-29253

by SA [redacted] Date dictated 1/31/94 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

meet the specifications agreed upon between NNSB and HYDRO AIRE (HA), INCORPORATED. The specifications also called for fitted bolts to be utilized. The fitted bolts are specialty bolts with extremely tight tolerances to provide proper fit and alignment. An examination revealed that fitted bolts were not used. Instead, standard bolts were placed in the holes. [redacted] was told that NNSB believed the pumps had been tested by HA prior to shipping.

It is not reasonable to think that NNSB would have disassembled the ALOP prior to running it. Disassembly would not have occurred as a general practice.

An HA employee was present during the aforementioned disassembly and inspection. No comments were made by the HA employee and [redacted] was not officially introduced to him. The ALOP is a GENERAL ELECTRIC piece of equipment. [redacted] was not aware of any GENERAL ELECTRIC representatives on site during the disassembly and inspection. The GENERAL ELECTRIC representative [redacted] knows, [redacted] was not present. b6 b7C

Within a two month time span, the Number 3 main circulating water pump encountered a problem. When first rotated, the pump made noises which alerted personnel to a possible problem. The pump was immediately shut down and the casing was opened on the ship. [redacted] immediately observed that the tolerances were improper as the impeller inside did not have the proper clearance between itself and the stabilizing vanes (flow cones). This caused the impeller to strike the flow cones. Further inspection determined the lack of clearance was caused by the improper machining of the half coupling assembly. In order for the pump to operate correctly, there would have to be clearance between the impeller and the flow cones. [redacted] also observed that specific tolerances, such as thrust (movement) when measured, did not meet the proper specifications. In addition, [redacted] observed that unauthorized repair to the water bearing casing shoulder had been conducted in contradiction of allowable specifications. In respect to the water bearing casing, [redacted] NNSB, Engineering, advised [redacted] that HA had asked permission to repair the pump utilizing a particular technique (welding and machining the casing shoulder). Although this technique was approved and paid for by NNSB, the authorized repair did not take place. b6 b7C

[redacted] also observed that rings had been installed utilizing carbon steel fasteners (screws). Standard engineering practices would preclude the use of carbon steel in a marine environment as carbon steel would corrode and fail. In this case, the screw heads had already corroded away. If the pump had been placed into operation, this alone could have caused a failure and would have entailed shutting down the main engine to which the pump was attached.

[redacted] also observed that the clearance between the impeller tips and the casing wear ring were improper which resulted in contact between these two items. This noise would have caused the pump to be shut down and disassembled. b6 b7C

Although [redacted] did not witness the following, [redacted] advised that the bolt utilized in conjunction with the bearing retaining plate in the interior part of the pump was not made of the correct material and was improperly torqued.

The Number 1 main circulating water pump ALOP also failed. Although [redacted] was not present when it failed, upon inspection, it appeared to have orange paint inside the oil lube system contrary to specifications. This orange paint was also found in several other pumps.

The pumps are placed on the ship in three major parts: the pump casings, impeller, and turbine. Although the pumps could have been placed together improperly (mismatched), this would be highly unlikely for two main reasons:

1. The aforementioned incorrect machining tolerance of the half coupling assembly in the Number 3 main circulating water pump is a direct cause of the lack of clearance of the impeller and the flow cones, not pump casing mismatching.

2. According to tracking procedures, NNSB does not randomly deliver the parts to the ship; the pumps would have been brought down together, although perhaps split into the three major sections.

U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No. 206A-NF-29253

200 Granby Street, Room 839
Norfolk, Virginia 23510
February 14, 1994

Honorable Helen F. Fahey
United States Attorney's Office
World Trade Center, Suite 8000
101 West Main Street
Norfolk, Virginia 23510

Re: HYDRO AIRE, INCORPORATED
FRAUD AGAINST THE
GOVERNMENT - DEPARTMENT
OF DEFENSE (UNITED STATES
NAVY) (FALSE CLAIMS)

Dear Ms. Fahey:

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On January 27, 1994, [redacted], Newport News Shipbuilding, was interviewed by the Federal Bureau of Investigation and the Naval Criminal Investigative Service (NCIS) after NCIS investigative assistance was requested regarding allegations of fraud by Hydro Aire (HA), Incorporated, a subcontractor for Newport News Shipbuilding (NNSB).

The contract in question involves a Class B overhaul of 131 pumps on the USS "Enterprise" (CVN-65). NNSB subcontracted the overhaul of the pumps to HA. Initially, the pumps were opened, inspected, and particular items which needed to be replaced were itemized and specific negotiated prices were agreed upon. The contract between NNSB and HA required that HA provide a certificate of compliance and equipment performance test report on each pump overhauled. HA provided NNSB with a certificate of compliance, which noted specific parts had been replaced. HA also provided testing documentation which claimed the pumps met military specifications and complied with the requirements set forth in NNSB's purchase orders. The aforementioned pumps were then placed on the USS "Enterprise." Upon malfunctioning, they were taken out and inspected by both NNSB and HA personnel. Based on these inspections, it appears that the testing documentation, as well as the certificates of compliance provided by HA, may have been falsified.

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This contract is designated as a "cost-plus" co[illegible] and involves approximately $6 million, of which $5.5 mill[illegible]s been paid to HA through NNSB by the United States Govern[illegible] In

1 - Addressee
(2) - Norfolk (206A-NF-29253)
[redacted] (3) [redacted]

3/4/94 206A-NF-29253
Searched
Serialized
Indexed
Filed

addition, NNSB has documented an additional $2.6 million spent repairing the broken pumps already identified. This additional $2.6 million is as of December, 1993. The total loss to the United States Government has not been determined at this time.

It is believed that HA may have violated Title 18, United States Code, Section 1001 (False Statements) and Title 18, United States Code, Section 287 (False Claims). This case will be worked as a joint investigation with NCIS. This letter serves as a request for the United States Attorney's Office Prosecutive In-Take Committee to review this case for prosecutive merit. Several key interviews have already been conducted and will be provided to the United States Attorney's Office upon assignment of this case to an Assistant United States Attorney.

Sincerely yours,

[redacted] b6 b7C
Acting Special Agent in Charge

By:
[redacted]
Supervisory Special Agent

U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No. 206A-NF-29253

200 Granby Street, Room 839
Norfolk, Virginia 23510
March 17, 1994

Honorable Helen F. Fahey
United States Attorney's Office
World Trade Center, Suite 8000
101 West Main Street
Norfolk, Virginia 23510

Re: HYDRO AIRE, INCORPORATED
FRAUD AGAINST THE
GOVERNMENT - DEPARTMENT
OF DEFENSE (UNITED STATES
NAVY) (FALSE CLAIMS)

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Dear Ms. Fahey:

On January 27, 1994, [redacted] Newport News Shipbuilding, was interviewed by the Federal Bureau of Investigation and the Naval Criminal Investigative Service (NCIS) after NCIS investigative assistance was requested regarding allegations of fraud by Hydro Aire (HA), Incorporated, a subcontractor for Newport News Shipbuilding (NNSB).

The contract in question involves a Class B overhaul of 131 pumps on the USS "Enterprise" (CVN-65). NNSB subcontracted the overhaul of the pumps to HA. Initially, the pumps were opened, inspected, and particular items which needed to be replaced were itemized and specific negotiated prices were agreed upon. The contract between NNSB and HA required that HA provide a certificate of compliance and equipment performance test report on each pump overhauled. HA provided NNSB with a certificate of compliance, which noted specific parts had been replaced. HA also provided testing documentation which claimed the pumps met military specifications and complied with the requirements set forth in NNSB's purchase orders. The aforementioned pumps were then placed on the USS "Enterprise." Upon malfunctioning, they were taken out and inspected by both NNSB and HA personnel. Based on these inspections, it appears that the testing documentation, as well as the certificates of compliance provided by HA, may have been falsified.

This contract is designated as a "cost-plus" contract and involves approximately $6 million, of which $5.5 million has been paid to HA through NNSB by the United States Government. In

1 - Addressee
2 - Norfolk (206A-NF-29253)
(3) [redacted]

206A-NF-29253-6

Searched
Serialized [redacted]
Indexed
Filed [redacted]

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It is believed that HA may have violated Title 18, United States Code, Section 1001 (False Statements) and Title 18, United States Code, Section 287 (False Claims). This case will be worked as a joint investigation with NCIS. This letter serves as a request for the United States Attorney's Office Prosecutive In-Take Committee to review this case for prosecutive merit. Several key interviews have already been conducted and copies are attached as requested by the United States Attorney's Office.

Sincerely yours,

LARRY E. TORRENCE b6
Special Agent in Charge b7C

By: [redacted]
Supervisory Special Agent

# Memorandum

To : SAC, Norfolk (206A-NF-29253) Date 4/4/94

From : Photographer [redacted] b6 b7C

Subject : HYDRO AIRE, INC.
FAG - DOD
OO:NF

For the information of file, SA [redacted] and writer accompanied SA [redacted] DCIS, to the Newport News Shipbuilding plant and videotaped the examination of a pump removed from the USS Enterprise that allegedly been overhauled by Hydro Aire.

The original tape has been kept in the Photo Lab, under my custody and control, and under lock and key. The tape was not placed into evidence immediately since writer was on emergency leave with a sick parent and was out of town at FBIHQ for two meeting with HQ personnel.

(1)- file

[redacted]

206A-NF-29253-[redacted]

SEARCHED [redacted] INDEXED [redacted]
SERIALIZE [redacted] FILED [redacted]

APR 0 5 1994

FBI — NORFOL[redacted]

[redacted]

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DOJ/FBI

# INFORMATION COMMUNICATION

Date: 03/31/94

**FROM:** SA [redacted] (P) b6 b7C

**CONTACT:** SA [redacted]
Squad 5
Peninsula Resident Agency

**TO:** Norfolk
Squad 5

**TITLE:** HYDROAIRE, INCORPORATED
FAG - DOD (U.S. NAVY) (FALSE CLAIMS)
OO: NORFOLK

**PURPOSE(S):** To provide information concerning the above-titled case.

**DETAILS:** On 3/1/94, SA [redacted], SA [redacted], NCIS, and [redacted] FBI Photographer, met at the NEWPORT NEWS SHIPBUILDING (NNSB) AND DRYDOCK COMPANY, Newport News, Virginia. b6 b7C

NNSB removed a pump that had been placed on the USS "Enterprise" (CVN-65). This pump was not operating properly and needed to be disassembled to ascertain the malfunction. The aforementioned personnel were present during the initial opening of the pump. Photographer [redacted] took numerous still photographs of the disassembled pump. In addition, a video was taken of the pump as it was being disassembled.

It was readily apparent that the pump was not in conformance with specifications contracted by NNSB. NNSB measured tolerances of different parts of the pump and compared the results to specifications outlined in the NNSB purchase orders. Based on the observations of the pump, it would appear that the Certificate of Compliance and testing documentation provided by HYDROAIRE to NNSB has been falsified.

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206A-NF-29253-9

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
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FBI — NORFOLK

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(1) - File # 206A-NF-29253
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[redacted] (2) [redacted]

DOJ/FBI

# INFORMATION COMMUNICATION

Date: 04/26/94

**FROM:** SA [redacted] (P)

**CONTACT:** SA [redacted]
Squad 5
Peninsula Resident Agency

**TO:** Norfolk
Squad 5

**TITLE:** HYDRO-AIRE, INCORPORATED
FAG - DOD (U.S. NAVY) (FALSE CLAIMS)
OO: NORFOLK

**PURPOSE(S):** To provide information concerning the above-titled case.

**DETAILS:** On 4/26/94, SA [redacted] contacted SA [redacted] NCIS, to discuss the above-titled case. SA [redacted] had previously made arrangements with SA [redacted] to attend a civil suit between HYDRO-AIRE, INCORPORATED, and NEWPORT NEWS SHIPBUILDING (NNSB) regarding the subcontracting work performed by HYDRO-AIRE, INCORPORATED. HYDRO-AIRE has reached an out-of-court settlement with NNSB, and as a result, the civil suit has been dropped. The terms of the out-of-court settlement is unknown at this time; however, NNSB has agreed to hand over its files to the FBI and NCIS. Arrangements are being made for a meeting between NNSB, the FBI, and NCIS. At that time, the FBI and NCIS will obtain the HYDRO-AIRE, INCORPORATED, files.

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206A-NF-29253-10

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SERIALIZED [redacted] FILED [redacted]
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1 - File # 206A-NF-29253
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[redacted] (2)

DOJ/FBI

# INFORMATION COMMUNICATION

Date: 06/17/94

**FROM:** SA [redacted] (P) b6 b7C

**CONTACT:** SA [redacted]
Squad 5
Peninsula Resident Agency

**TO:** Norfolk
Squad 5

**TITLE:** HYDRO-AIRE, INCORPORATED
FAG - DOD (U.S. NAVY) (FALSE CLAIMS)
OO: NORFOLK

**PURPOSE(S):** To provide information concerning the above-titled case.

**DETAILS:** On 6/2/94, SA [redacted] and SA [redacted] b6 b7C NCIS, met with [redacted] to discuss the above-titled case. SAs [redacted] have reviewed some of the records provided by NEWPORT NEWS SHIPBUILDING (NNSB) regarding the subcontracting performed by HYDRO-AIRE, INCORPORATED. Based on the review of documentation, SAs [redacted] believe certain certifications provided by HYDRO-AIRE, INCORPORATED, may be falsified. It was agreed that two companies involved in the testing of HYDRO-AIRE, INCORPORATED's, products be subpoenaed for records concerning these aforementioned certifications. A further review of records will be coordinated with NNSB's law firm, HUNTON AND WILLIAMS.

■

206A-NF-29253-11

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted] b6 b7C

JUN 17 1994

[redacted]

(1) File # 206A-NF-29253
1 Working Copy
(2) [redacted]

DOJ/FBI

# ACTION COMMUNICATION

Date: 08/01/94

**FROM:** Norfolk (P)
Squad 5

**CONTACT:** SA [redacted] b6 b7C
Squad 5
Peninsula Resident Agency

**TO:** Chicago (Encl. 2) (**PRIORITY**)

**TITLE:** HYDRO-AIRE, INCORPORATED
FAG - DOD (U.S. NAVY) (FALSE CLAIMS)
OO: NORFOLK

**ENCL:** Enclosed for Chicago is the original and one copy of a Federal Grand Jury subpoena.

**REQUEST(S):** Chicago

1. Serve enclosed subpoenas to [redacted] b3
and then return executed Federal Grand Jury subpoenas to Norfolk.

2. Conduct detailed interview with relevant individual concerning arrangements between MIL and HYDRO-AIRE (HA), INCORPORATED. Specifically, the interview should include [redacted]

**DETAILS:** The above-titled investigation concerns a contract which involves a Class B overhaul of 131 pumps aboard the USS "Enterprise," CVN-65. NEWPORT NEWS SHIPBUILDING (NNSB), Newport News, Virginia, subcontracted the overhaul of the pumps to HA. Initially, the pumps were opened, inspected, and particular items which needed to be replaced were itemized and specific negotiated prices were agreed upon. The contract between NNSB and HA required HA to provide a Certificate of Compliance and a Equipment Performance Test report on each pump overhauled. HA provided NNSB with a Certificate of Compliance which noted specific parts had been replaced. HA also provided testing documentation which claimed the pumps met military specifications and complied with the requirements set forth in NNSB's purchase orders. The testing documentation and certifications were provided by MIL. The aforementioned pumps were then placed aboard the USS "Enterprise." Upon malfunction, b6 b7C

1 - File # 206A-NF-29253
1 - [redacted] working copy
(4) [redacted]

206A-NF-29253-12

[redacted]

the pumps were removed and inspected by both NNSB and HA personnel. Based on the inspections, it appears that the testing documentation, as well as the Certificates of Compliance provided by HA, may have been falsified. It is unknown at this time whether MIL falsified these documents or HA. At this time, it is believed MIL may have performed some of the tests and provided documentation to HA and in turn, HA reproduced and falsified these documents to represent compliance testing performed on other pumps.

The contract is designated as a "Cost Plus" contract and involves approximately $6 million, of which $5.5 million has been paid to HA through NNSB by the U.S. Government. In addition, NNSB has documented an additional $2.6 million spent repairing the broken pumps already identified. This additional $2.6 million is as of December, 1993. The total loss to the U.S. Government has not been determined at this time.

It is believed HA may have violated Title 18, U.S. Code, Sections 1001 (False Statements) and 287 (False Claims). As stated above, based on the document review, it appears HA may have falsified original certifications provided by MIL; however, at this time, MIL has not been ruled out as a possible subject.

DOJ/FBI

# ACTION COMMUNICATION

Date: 08/03/94

**FROM:** SA [redacted] (P)

**CONTACT:** SA [redacted]
Squad 5
Peninsula Resident Agency

**TO:** Norfolk (**ROUTINE**)
Squad 5

**TITLE:** HYDRO-AIRE, INCORPORATED
FAG - DOD (U.S. NAVY) (FALSE CLAIMS)
OO: NORFOLK

**REQUEST(S):** To reassign the above-titled case to SA [redacted] due to the writer's transfer to Squad 3.

**DETAILS:** None.

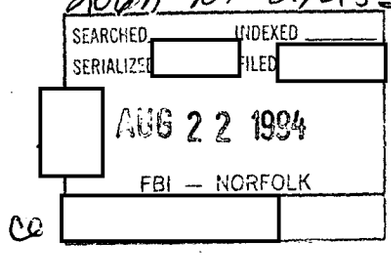
■

[redacted]
8/10/94
REASSIGN TO
[redacted]
8/15/94

206A-NF-29253-13
SEARCHED [redacted] INDEXED
SERIALIZED [redacted] FILED
AUG 03 1994
FBI — NORFOLK
[redacted]

1 - File # 206A-NF-29253
1 - [redacted] Working Copy
(2 [redacted]

206A-NF-29253-14




b6
b7C

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/12/94

[redacted] b3 b6 b7C

[redacted] accept service of a Federal Grand Jury subpoena from the United States District Court, Eastern District of Virginia. The subpoena [redacted] was advised that it would be necessary to interview the appropriate person at his company regarding [redacted] and that the FBI's interest in this matter was to be kept confidential.

[redacted] advised [redacted] b3 b6 b7C

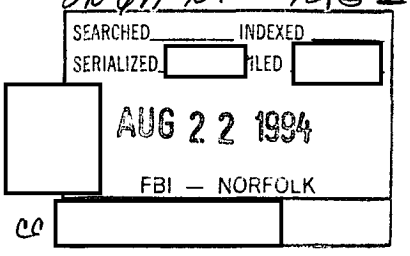
(telephonically)

Investigation on 8/11/94 at Rolling Meadows, IL File # 206A-NF-29253

by SA [redacted] Date dictated 8/11/94 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

206A-NF-29253-15

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/17/94

[redacted] b3 b6 b7C

[redacted] accepted service of a Federal Grand Jury subpoena from the Eastern District of Virginia calling for [redacted] Thereafter, [redacted] provided the following information:

[redacted] b3 b6 b7C

[redacted] b3 b6 b7C

[redacted] b3 b6 b7C

Investigation on 8/17/94 at Elk Grove Village, IL File # 206A-NF-29253

by SA [redacted] Date dictated 8/17/94 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

ORIGINAL

AO 110 (Rev. 12/89) Subpoena to Test[redacted]fore Grand Jury [redacted]

# United States District Court

EASTERN DISTRICT OF VIRGINIA

b3

TO: Norfolk Division

[redacted]

## SUBPOENA TO TESTIFY BEFORE GRAND JURY

SUBPOENA FOR: [redacted]

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

| PLACE | COURTROOM |
|---|---|
| Walter E. Hoffman U.S. Courthouse<br>600 Granby Street<br>Norfolk, Virginia 23510 | Grand Jury Room |
| | DAT[redacted] |

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

[redacted]

b3
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206A-NF-29253-16

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
AUG 22 1994
FBI — NORFOL[redacted]

☐ *Please see additional information on reverse*

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

| CLERK | DATE |
|---|---|
| DORIS R. CASEY, CLERK | July 19, 1994 |
| (BY) DEPUTY CLERK [redacted] | |

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b7C

This subpoena is issued on application of the United States of America

HELEN F. FAHEY
UNITED STATES ATTORNEY

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

[redacted]
Special Assistant U.S. Attorney
101 West Main Street, Suite 8000
Norfolk, Virginia 23510
[redacted]

*If not applicable enter "none"

AO 110 (Rev. 12/89) Subpoena to Testify Before Grand Jury

## RETURN OF SERVICE (1)

| | DATE | PLACE |
|---|---|---|
| RECEIVED BY SERVER | 8/10/94 | Rolling Meadows, IL |
| SERVED | DATE<br>8/15/94 (FAX)<br>8/17/94 personally | b3 |

SERVED ON (PRINT NAME)

| SERVED BY (PRINT NAME) | TITLE |
|---|---|
| | Special Agent, FBI |

### STATEMENT OF SERVICE FEES

| TRAVEL | SERVICES | TOTAL |
|---|---|---|
| | | |

### DECLARATION OF SERVER (2)

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b7C

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.

Executed on 8/17/94 (Date)

SA [redacted] FBI (Signature of Server)

Rolling Meadows, IL (Address of Server)

ADDITIONAL INFORMATION

(1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

(2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure; Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)".

FD-36 (Rev. 11-17-88)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 8/17/94

TO : SAC, Norfolk (Peninsula Resident Agency)

FROM : SAC, Chicago (206A-NF-29253) (RUC)

SUBJECT : HYDRO-AIRE, INCORPORATED
FAG-DOD (U.S. NAVY) (FALSE CLAIMS)
OO:NORFOLK

Reference Norfolk action communication dated 8/1/94.

Enclosed for Norfolk are the following:

1) Original executed Federal Grand Jury subpoena served 8/15/94 (via facsimile) and 8/17/94 (personal service) on [redacted]

b3
b6
b7C

2) Original and two copies of FD-302 of interview 8/17/94 of [redacted]

3) 1-A envelope containing original notes of above interview and business card of [redacted]

4) Original and two copies of FD-302 of telephonic interview of [redacted] on 8/11/94.

206A-NF-29253-17

SEARCHED [redacted] INDEXED
SERIALIZED [redacted] FILED [redacted]
AUG 22 1994
FBI — NORFOLK

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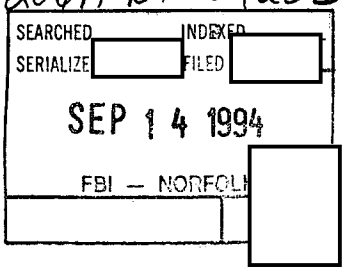
(2) - Norfolk (Encls. 8)
1 - Chicago
(3)

CC [redacted]

FOIMS [redacted]

Approved: [redacted] Transmitted _____ (Number) _____ (Time) Per _____

206A-NF-29253-18

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DOJ/FBI

# ACTION COMMUNICATION

Date: 03/27/95

**FROM:** Norfolk (P)
Squad 6

**CONTACT:** SA [redacted] b6 b7C
Squad 6
Peninsula Resident Agency

**TO:** Chicago (Encl. 1) (**PRIORITY**)

**TITLE:** HYDRO-AIRE, INCORPORATED
FAG - DOD (U.S. NAVY) (FALSE CLAIMS)
OO: NORFOLK

**RE:** Chicago airtel to Norfolk dated 8/17/94.

**ENCL:** [redacted] b3

**REQUEST(S):** Chicago

[redacted] b3

**DETAILS:** [redacted] b3

[redacted]

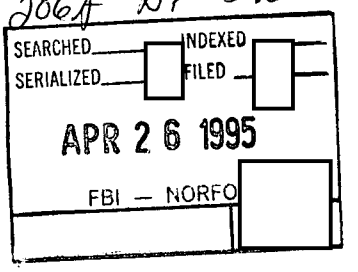
1 - File # 206A-NF-29253
1 - Working Copy
(4 [redacted]

[redacted]

206A NF 29253-19
Searched
Serialized
Indexed
Filed

[redacted] b6 b7C

206A NF 89253-21

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b7C

**FEDERAL BUREAU OF INVESTIGATION**

Date of transcription 4/21/95

[redacted] b3 b6 b7C

[redacted] in response to a Federal Grand Jury subpoena served on [redacted] [redacted] advised as follows:

[redacted] b3 b6 b7C

[redacted] b3 b6 b7C

[redacted] b3 b6 b7C

Investigation on 4/20/95 at Elk Grove Village, IL File # 206A-NF-29253

by SA [redacted] Date dictated 4/21/95 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

FD-36 (Rev. 11-17-88)

FBI

TRANSMIT VIA:
☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:
☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:
☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 4/21/95

TO [redacted] NORFOLK (206A-NF-29253) (P)

FROM : SAC, CHICAGO (SQ13A/NRA)

SUBJECT : HYDRO-AIRE, INCORPORATED
FAG - DOD (U.S. NAVY) (FALSE CLAIMS)
OO: NORFOLK

Reference Norfolk airtel to Chicago 3/27/95.

Enclosed for Norfolk are the following:

1) Original and two copies of an FD-302 of [redacted] MAGNETIC INSPECTION LABORATORY, 4//21/95.

2) FD-340 containing original documents provided by [redacted]

[redacted]

LEADS

CHICAGO:

At Elk Grove Village. Will provide [redacted] upon receipt.

206A NF 29253-22

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] [redacted]
APR 26 1995
FBI — NORFOLK [redacted]

(2) - Norfolk (Encl. 4) [redacted]
1 - Chicago (206A-NF-29253)
(3) [redacted]

ROMS [redacted]

Approved: _____ Transmitted _____ Per _____
(Number) (Time)

FD-36 (Rev. 11-17-88)

FBI

TRANSMIT VIA:
- ☐ Teletype
- ☐ Facsimile
- ☒ AIRTEL

PRECEDENCE:
- ☐ Immediate
- ☐ Priority
- ☐ Routine

CLASSIFICATION:
- ☐ TOP SECRET
- ☐ SECRET
- ☐ CONFIDENTIAL
- ☐ UNCLAS E F T O
- ☐ UNCLAS

Date 5/10/95

b6
b7C

TO [redacted] ORFOLK (206A-NF-29253)(RUC)

FROM : SAC, CHICAGO (SQ13A/NRA)

SUBJECT : HYDRO-AIRE, INCORPORATED
FAG - DOD (U.S. NAVY)(FALSE CLAIMS)
OO: NORFOLK

Reference Norfolk airtel to Chicago 3/27/95 and Chicago airtel to Norfolk 4/21/95.

Enclosed for Norfolk is an FD-340 containing [redacted]

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[redacted]

b6
b7C

CC: [redacted]

206A NF 29253-23

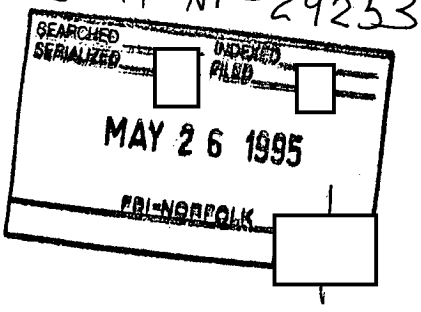
SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
MAY 16 1995
FBI — NORFOLK

(2) - Norfolk (Encl.1) [redacted]
1 - Chicago (206A-NF-29253)
(3) [redacted]

NOIMS [redacted]

Approved: _____ Transmitted _____ (Number) (Time) Per _____

206A-NF-29253-24

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U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No. 206A-NF-29253

150 Corporate Boulevard
Norfolk, Virginia 23502
May 24, 1995

Honorable Helen F. Fahey
United States Attorney's Office
World Trade Center, Suite 8000
101 West Main Street
Norfolk, Virginia 23510

Attention: Mr. [redacted] b6 b7C
Assistant United States Attorney

Dear Ms. Fahey:

Your office was previously advised of the investigation being conducted jointly by the Federal Bureau of Investigation and the Naval Criminal Investigative Service involving a Class B overhaul of 131 pumps aboard the USS Enterprise. Newport News Shipbuilding (NNSB), Newport News, Virginia, subcontracted the overhaul of the pumps to HydroAire, Inc.(HA). The contract between NNSB and HA required HA to provide a Certificate of Compliance and a Equipment Performance Test report on each pump overhauled. HA provided NNSB with a Certificate of Compliance which noted specific parts had been replaced. HA also provided testing documentation which claimed the pumps met military specifications and complied with the requirements set forth in NNSB's purchase orders. The testing documentation and certifications were provided by Magnetic Inspection Laboratory(MIL), INC., Elk Grove Village, Illinois. The pumps were then placed aboard the USS Enterprise. Upon malfunction, the pumps were removed and inspected by both NNSB and HA personnel. Based on the initial inspections, it appeared that the testing documentation, as well as the Certificates of Compliance provided by HA, may have been falsified. It was believed that MIL may have performed some of the tests and provided documentation to HA and, in turn, HA reproduced and falsified these documents to represent compliance testing performed on other pumps.

A Federal Grand Jury subpoena for [redacted] b3

[redacted]

1-Addressee
2-Norfolk (206A-NF-29253) (Working Copy)
[redacted] (3) b6 b7C

[redacted]

[redacted] b3 b6 b7C

[redacted]

[redacted] b3 b6 b7C

In addition, HydroAire short-changed MIL $40,000 although MIL sued to recover and received approximately $18,000.

[redacted]

[redacted] b3 b6 b7C

There is no evidence that HydroAire has falsified any test results. Although they have provided certifications for specific pumps sent to MIL, as noted above, MIL is unable to identify those pumps with any certainty because of a lack of proper identification on them.

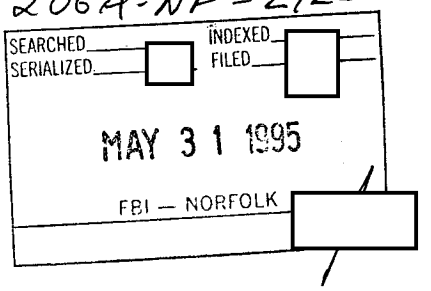
In view of the above, it is requested that your office provide a prosecutive opinion concerning this matter.

Sincerely yours,

LARRY E. TORRENCE b6
Special Agent in Charge b7C

By: [redacted]
Supervisory Special Agent

2064-NF-29253-25

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**FEDERAL BUREAU OF INVESTIGATION**

Date of transcription 5/24/95

[redacted] was interviewed concerning [redacted] Federal Bureau of Investigation (FBI) in response to a Federal Grand Jury subpoena served [redacted] b3 b6 b7C

Present during the telephonic interview which originated from the Peninsula Resident Agency, Hampton, Virginia, was SA [redacted] Naval Criminal Investigative Service(NCIS) who is the procurement fraud specialist with NCIS in Yorktown, Virginia.

[redacted]

[redacted] b3 b6 b7C

[redacted]

[redacted] described [redacted] whose job at the time was that of [redacted] was the contact with HydroAire but left Illinois several years ago for the east coast. He is currently a long-haul truck driver operating out of New Jersey. b3 b6 b7C

[redacted]

(telephonically)

Investigation on 5/24/95 at Hampton, Virginia File # 206A-NF-29253

by SA [redacted] Date dictated 5/24/95 b6 b7C

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

[redacted] b3 b6 b7C

The biggest problem MIL had with HydroAire was getting proper identification. Therefore, MIL just worked for time and materials. They never quoted the job. [redacted] recalled speaking with [redacted] on occasion at which time [redacted] would say how much margin he had been allowed for maintenance and would sometimes say he could not pay what MIL was billing. However, billing the next batch of work requested by HydroAire for MIL to perform would be improved, that is, they would have more money to utilize.

HydroAire short-changed the Lab $40,000 and MIL sued to recover. They settled for $17-18,000 and lost money. MIL has done no business with HydroAire for the last few years. If asked to do business with them today, [redacted] said he would want to know who the principals would be and would get a financial commitment from them. b3 b6 b7C

[redacted]

When asked by Agent [redacted] if MIL could look at sixteen pumps and ascertain if his company had certified any of them [redacted] said he could not due to insufficient identification markings on the individual pumps. b6 b7C

(03/31/95)

# FEDERAL BUREAU OF INVESTIGATION

**Precedence:** ROUTINE **Date:** 07/31/1995

**To:** Norfolk **Attn:** SSA [redacted] b6 b7C

**From:** Norfolk
PRA
**Contact:** SA [redacted]

**Approved By:** [redacted]

**Drafted By:** [redacted]

**File Number(s):** 206A-NF-29253 (Closed)

**Title:** Hydro-Aire, Incorporated
FAG - DOD (U.S.Navy) (False Claims)
OO: Norfolk

**Synopsis:** A joint investigation between the FBI and NCIS was conducted involving a Class B overhaul of 131 pumps aboard the USS Enterprise. Newport News Shipbuilding(NNSB), Newport News, Virginia, subcontracted the overhaul of the pumps to HydroAire(HA), Inc. The contract between NNSB and HA required HA to provide a Certificate of Compliance and a Equipment Performance Test report on each pump overhauled. HA provided NNSB with a Certificate of Compliance which noted specific parts had been replaced. HA also provided testing documentation which claimed the pumps met military specifications and complied with the requirements set forth in NNSB's purchase orders. The testing documentation and certifications were provided by Magnetic Inspection Laboratory(MIL), Inc., Elk Grove Village, Illinois. The pumps were then placed aboard the USS Enterprise. Upon malfunction, the pumps were removed and inspected by both NNSB and HA personnel. Based on the initial inspections, it appeared that the testing documentation, as well as the Certificates of Compliance provided by HA, may have been falsified. It was believed that MIL may have performed some of the tests and provided documentation to HA and, in turn, Ha reproduced and falsified these documents to represent compliance testing performed on other pumps.

[redacted]

b3 b6 b7C

A FGJ subpoena for [redacted] was served [redacted]

206A-NF-29253-26

SEARCHED [redacted] INDEXED [redacted]
SERIALIZED [redacted] FILED [redacted]
AUG 01 1995
FBI - NORFOLK

b6 b7C

CHECK C-6 1 [redacted] 8-8-95 [redacted] 8/8/95

PURGED 8/8/95 PURSUANT TO BUAIRTEL 11/3/86 [redacted]

b3

[redacted]

[redacted]

AUSA, Norfolk, Va. contacted and declined prosecution indicating there was insufficient evidence to indicate fraud.

**Reference:** Norfolk letter to U.S. Attorney, dated May 24, 1995;
Declination letter from U.S. Attorney, June 15, 1995

**Details:** By letter dated May 24, 1995, the U. S. Attorney's office, Norfolk, Virginia, was apprised of the investigation jointly conducted by the Federal Bureau of Investigation(FBI) and the Naval Criminal Investigative Service (NCIS) involving alleged fraud on the part of government contractor(s), HydroAire, Inc. and Magnetic Inspection Laboratory, Inc.

No direct evidence of fraud was uncovered and the United States Attorney's office advised there was insufficient evidence to consider prosecution in this matter. In view of this, no further investigation is being conducted and it is recommended this case be closed administratively.

♦♦

(06/01/1995)

# FEDERAL BUREAU OF INVESTIGATION

**Precedence:** ROUTINE **Date:** 11/09/1995

**To:** CID **Attn:** Financial Crimes Section
Government Fraud Unit
[redacted]
Room 4343

b6
b7C

**From:** Norfolk
Squad 5
**Contact:** SSA [redacted] Extension 2550

**Approved By:** [redacted]

**Drafted By:** [redacted]

**Case ID #:** 66-1112
249-NF-28969
194B-NF-28965
147A-NF-29281
206A-NF-29253
249-NF-29195
86A-NF-29214
194C-NF-30005
194B-NF-29789
58A-NF-29801

**Title:** **DEPARTMENT OF JUSTICE**
**FRAUD AND CORRUPTION TRACKING SYSTEM**

**Synopsis:** EC to Government Fraud Unit re FACT Forms.

**Administrative:** Re Bureau airtel dated 10/1/82.

**Enclosures:** Enclosed for the Government Fraud Unit are nine original FACT Forms.

**Details:** Norfolk has no current FACT Forms for submission at this time. All of the enclosed FACT Forms are the result of Norfolk's review of its files in an effort to ensure that all required FACT Forms have been submitted.

♦♦

206A-NF-29253_27

[redacted]

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Close
files

[redacted]

NOTE: This report has been cleared in accordance with FIRMR 201-45.6 and assigned Interagency Report Control No. 0302-

**U.S. Department of Justice**
Criminal Division

# Fraud And Corruption Tracking Form

This form is to be completed upon presentation to a United States Attorney's office or a DOJ Division for a prosecutive decision. This form is not to be complete referrals to the FBI for investigation. FBI completes at initiation.

(1) Originating Agency: FBI
(2) Investigative Office: NF
(3) Judicial District: VAE
(4) Agency Case File #: 206 A-NF-29253
(5) Case Agent:
(6) Phone Number: Area Code Telephone

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b7E

List Other Investigative Agencies Working Jointly:

(7) NCIS (8) (9)

(10-20) Nature of Violation *(Check all that apply):*

- ☐ GOV-Govt Employee Related
- ☐ BRI-Bribery
- ☐ COI-Conflict of Interest
- ☐ ORG-Organized Crime Related
- ☑ PRM-Program Fraud
- ☐ PRC-Procurement Fraud
- ☐ CPT-Computer Assisted
- ☐ THF-Theft/Govt Property
- ☐ HLT-Health Care Provider
- ☐ TOX-Toxic Waste Disposal
- ☐ OTH-Other

Subject Agency:

(21) Agency ID: DOD (22) Subunit: H2 (23) Prog/Func: EO (24) Estimated Dollar Loss:

(25-26) This case was referred to *(Check one and enter subunit code and location):*

- ☑ USAO District
- ☐ DOJ Criminal Division Section
- ☐ Other DOJ Division

Subunit:

City: NORFOLK
State: VA

(27) Date Referred: 05 24 95

(28) ☑ Check if declined on preliminary consultation (after cursory investigation)

(29) Total Number of Subjects under Investigation:

List up to three primary subjects below *(If top 100 contractor, please list contractor name):*

1. (31-33) Name: HYDRO AIRE INC (Last / First / MI)
(34) ☑ Check if Subject is Organization & omit DOB
(35) Alias
(36) ☐ Protect Identity
(37) Date Of Birth (M M D D Y Y)
(38-40) Occupation: Rel to Govt 42 / Industry 01 / Function

2. (42-44) Name (Last / First / MI)
(45) ☐ Check if Subject is Organization & omit DOB
(46) Alias
(47) ☐ Protect Identity
(48) Date Of Birth (M M D D Y Y)
(49-51) Occupation: Rel to Govt / Industry / Function

3. (53-55) Name (Last / First / MI)
(56) ☐ Check if Subject is Organization & omit DOB
(57) Alias
(58) ☐ Protect Identity
(59) Date Of Birth (M M D D Y Y)
(60-62) Occupation: Rel to Govt / Industry / Function

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FORM CRM-162
SEP. 89

FD-986 (Rev. 8-24-05)

# DISPOSITION OF CONSENSUAL MONITORING ELECTRONIC SURVEILLANCE (ELSUR) MEDIA ACQUIRED IN CRIMINAL INVESTIGATIONS

## Background

In accordance with authorities provided by the National Archives and Records Administration (NARA), the FBI has developed a Disposition Plan allowing for the destruction of original consensual monitoring media acquired in criminal investigations after 11 years has elapsed from the last date of interception and when certain other conditions have been satisfied.

The 11 year time frame is consistent with statutory requirements present in maintaining Title III ELSUR media, see (Title 18 USC § 2518 (8) (a)). The 11 year retention period will further permit the media to remain in existence for a period sufficiently long in time to satisfy the statute of limitations for actions against the government. As provided by Title 28 USC § 2401(a), an action must be brought within six years from the time the right of action first accrues.

This destruction plan applies to original electronic surveillance media obtained via Departmental/SAC/ASAC approval and court authorization(s) for consensual monitoring. This disposition plan does not apply to transcripts, logs, indices, and other reports drawn from ELSUR media which are incorporated in FBI case files.

## Destruction Guidelines

The following **statutory/regulatory** requirements must be met in determining destruction eligibility for consensual monitoring ELSUR media:

- A minimum period of 11 years must have elapsed from the last date of intercept.
- The media must not have known historical value (i.e., well-known national public figure(s) or event(s), etc.).
- Media containing evidence of a criminal offense will be retained until a decision is rendered by prosecutory authorities. If a decision to prosecute is made, media will be retained until the end of the prosecution process and any appeals.
- Media required to be retained by applicable rule of law or judicial order.

Furthermore, FBI policy requires that the following conditions be satisfied in determining destruction eligibility for consensual monitoring media:

- The case must be in a closed status.
- There are no pending fugitive issues.
- There are no pending or anticipated litigation/prosecutory issues.
- The media must no longer have investigative or intelligence value.

To assist FBI field offices in significantly reducing the space required for media storage without continuing value, the Records Management Division (RMD), has created this checklist to readily identify original ELSUR consensual monitoring media eligible for destruction.

**Note:** Physical destruction of eligible ELSUR media is to be handled in accordance with provisions of the FBI security policy manual, entitled "Destruction of Classified and Sensitive Material." This information may be obtained by accessing the Security Division's intranet website under "Communications," " Security Policy."

Any questions regarding the use of this checklist may be directed to FBIHQ, RMD, ELSUR Program Manager or the Office of the General Counsel, Investigative Law Unit.

Case ID #: 206A-NF-29953-28

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